Alexicon
Telecommunications Consulting

February 21, 2013

***Ex Parte* Letter**

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S. W.
Washington, D. C. 20554

***Connect America Fund*, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45**

Dear Ms. Dortch:

On April 25, 2012, the FCC's Wireline Competition Bureau ("the Bureau") released an Order DA12-646, *In the Matter of Connect America Fund High Cost Universal Service Support* ("HCLS Benchmark Order"). The HCLS Benchmark Order detailed a revised quantile regression analysis ("QRA") that would be used to create "benchmarks" which allowed for capping the amount of funding for capital and operating costs recovered through the High Cost Loop Fund.

In May 2012, in an effort to understand the operation and potential problems with the QRA, several independent local exchange carriers sent letters to the Bureau requesting the workpapers and files that had been used to develop the dependent and independent variables in the QRA. The Bureau posted lists of the databases used and summary information but declined to provide its detailed workpapers and supporting calculations. However, on June 18, 2012, less than two weeks before implementation of the HCLS Benchmark Order, the Bureau released a description of the processes used in developing the QRA.

Since June 2012, a team of people under the direction of Alexicon Consulting, in consultation with Balhoff & Williams, has reconstructed the development of the QRA. The attached *White Paper: Lessons from Rebuilding the FCC's Quantile Regression Analysis* is the result of our efforts. The White Paper documents the reconstruction of the QRA and the analysis of the data inputs, development of variables, and performance of the statistical analysis. In addition, the White Paper discusses the QRA's role in meeting policy obligations and provides recommendations.

It is hoped that the resulting work permits all stakeholders to gain visibility into the QRA in a manner better than what was previously available. It is also hoped that other industry experts might be able to use the study to affirm the value of certain elements, propose changes that would improve the model, and provide sound insights to policymakers at the FCC, state commissions, and Congress.

Sincerely,

Vincent H. Wiemer
Principal

Enclosure

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